

Message Text

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ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 AID-20 CIAE-00 EB-11 FRB-02

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 4632

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FOR COMMERCE: WESTLEY, BIC/OIM; J.SANDS, MAJOR
PROJECT DIVISION

E.O. 11652: NA

TAGS: ETRD IR

SUBJ: IRAN IRON AND STEEL PRODUCTION PLANNING

SUMMARY: IRAN'S IRON AND STEEL PRODUCTION PLANS OVER
THE NEXT TEN YEARS OFFER GREAT OPPORTUNITY FOR AMERICAN
MANUFACTURERS. PRODUCTION TO BE CENTERED IN THREE
GEOGRAPHIC LOCATIONS. ACTION REQUESTED: NOTIFY AMERI-
CAN COMPANIES OF POSSIBLE OPPORTUNITIES.

1. IT IS BECOMING VERY CLEAR THAT IRAN OVER THE NEXT
TEN YEARS WILL BECOME A MAJOR IRON AND STEEL PRODUCER,
A SITUATION WHICH OFFERS GREAT OPPORTUNITIES FOR
AMERICAN MANUFACTURERS. THE SHAH HAS RECENTLY INDICATED
THAT HE WISHED IRAN TO REACH 15 MILLION TONS ANNUAL
STEEL PRODUCTION BY 1983. THIS WILL BE A COMBINATION
OF PUBLIC AND PRIVATE PRODUCTION FACILITIES.

2. IRAN'S PRESENT STEEL CAPACITY IS 750,000 TONS A
YEAR OUT OF THE RUSSIAN-BUILT PLANT AT ISFAHAN.

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CURRENT PLAN CALLS FOR AN INCREASE IN PRODUCTION IN
TWO STAGES TO ABOUT 4.2 MILLION TONS PER ANNUM. IN

ADDITION TO THE RUSSIAN PLANT, THE EMBASSY UNDERSTANDS INFORMALLY THAT A FURTHER 3 MILLION TONS PER ANNUM PLANT IS TO BE INSTALLED IN THE ISFAHAN AREA. ALLIED TO THIS PRODUCTIVE CAPACITY WILL BE THE USUAL ROLLING, SLABBING, AND OTHER MILLS. EMBASSY FURTHER UNDERSTANDS THAT BRITISH STEEL CORPORATION IS MAKING SERIOUS HEADWAY IN ADDITION TO THE COLD ROLLING MILL ALREADY SLATED FOR BRITISH CONTRACTING.

3. THE SECOND AREA OF PRODUCTION WILL BE AHWAZ. THE

NATIONAL IRANIAN IRON AND STEEL COMPANY RECENTLY SIGNED AGREEMENTS WITH WILLY CORF OF HAMBURG FOR 1.2 MILLION TONS PER ANNUM DIRECT REDUCTION SPONGE IRON PLANT AND IS NEGOTIATING WITH THYSEN FOR ANOTHER PLANT AT ABOUT 600,000 TONS PER ANNUM. THERE MAY WELL BE FURTHER DIRECT REDUCTION PLANTS LOCATED IN THE AHWAZ AREA UTILIZING THE EXTENSIVE GAS AVAILABILITY THERE. THE EMBASSY UNDERSTANDS THAT THE SPONGE IRON PRODUCED WILL BE CONVERTED TO STEEL IN ELECTRIC CONVERTERS LARGELY IN THE PRIVATE SECTOR. THERE ARE TWO PRINCIPAL POTENTIAL USERS: (A) ALI REZAI OF THE AHWAZ STEEL MILLS AND (B) SAID HEDAYAT OF AHWAZ ROLLING AND PIPE MILLS. IN ADDITION TO THE CONVERSION PLANT, SLABBING, ROLLING, BLOOMING, AND OTHER MILLS WILL ALSO BE REQUIRED, GENERALLY IN THE PRIVATE SECTOR. EMBASSY UNDERSTANDS THAT ALI REZAI AND THYSEN ARE VERY CLOSE BUT THAT OPPORTUNITY EXISTS FOR AMERICAN COMPANIES TO MAKE PROPOSALS TO REZAI IN THIS GENERAL AREA INVOLVING LICENSING, POSSIBLE JOINT VENTURING OR OTHER ACCEPTABLE ARRANGEMENTS. EMBASSY FURTHER UNDERSTANDS THAT SAID HEDAYAT HAS BEEN IN NEGOTIATION WITH THE MESTA COMPANY FOR A ROLLING MILL AND HE HAS PRIVATELY INFORMED THE EMBASSY THAT HE WOULD PREFER AN ARRANGEMENT WITH MESTA. TOTAL IRON AND STEEL PRODUCTION IN THE AHWAZ AREA WILL REACH FROM 3 TO 4 MILLION TONS.

4. A THIRD GENERAL AREA OF POSSIBLE IRON AND STEEL PRODUCTION WOULD BE CENTERED IN THE KERMANIAND RANDAR LIMITED OFFICIAL USE
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ABBAS AREA. EMBASSY UNDERSTANDS THAT THE NATIONAL IRANIAN IRON AND STEEL COMPANY IS SERIOUSLY NEGOTIATING WITH SWINDELL DRESSLER FOR A PLANT USING THE HYL PROCESS. IN ADDITION THE KAISER GROUP HAS BEEN ACTIVELY INVESTIGATING THE POSSIBILITIES IN ALL OF THESE FIELDS AS HAS UNION CARBIDE WHICH IS SENDING A HIGH-LEVEL TEAM TO IRAN IN DECEMBER WITH SPECIAL ATTENTION TO FERRO ALLOYS, GRAPHITE PLANT AND PETROCHEMICALS. EMBASSY UNDERSTANDS THAT THE REMAINDER OF THE 15 MILLION

TONS PRODUCTION WILL BE CENTERED IN THIS AREA.

5. INDIVIDUAL COMPANY INTERESTS AND POSSIBLE CONTRACTING COMPANIES MENTIONED ABOVE SHOULD NOT RPT NOT BE PUBLICIZED.

6. THESE RATHER EXTENSIVE OPPORTUNITIES ARE BEING HIGH-LIGHTED IN THE EMBASSY'S CURRENT ECONOMIC TRENDS REPORT. HOWEVER, DEPT SHOULD TAKE SPECIAL NOTE OF THE OPPORTUNITIES THUS OFFERED AND SEEK TO INTEREST POSSIBLE PRODUCERS OF MACHINERY AND JOINT VENTURERS BESIDES THOSE MENTIONED IN INVESTIGATING THE IRANIAN MARKET. FIGURED AT \$100 MILLION PER MILLION TONS PRODUCTION PER ANNUM, THIS WILL AMOUNT TO WELL OVER A BILLION DOLLARS POSSIBLE SALES IN EQUIPMENT AND SERVICES.
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